



This Memorandum of Understanding (“MOU”) establishes general responsibilities and guidelines for the Custom Investment Partnership Program at The Community Foundation for Greater New Haven Inc. (“The Community Foundation”) between The Community Foundation and a recommended Investment Advisor (“Investment Advisor”).

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2 CUSTOM INVESTMENT PARTNERSHIP PROGRAM MEMORANDUM OF UNDERSTANDING

GIFT PROCESS

1. The Community Foundation receives written communication from the donor via Donor Investment Request Statement, recommending use of an Investment Advisor.
2. The Investment Advisor acknowledges the MOU via signature under the section entitled “Statement of Understanding,” and completes the Due Diligence questionnaire.*
3. The Community Foundation completes due diligence procedures within a reasonable period of time.
4. The donor makes an irrevocable gift to establish a fund at The Community Foundation.
5. The Investment Advisor is retained and provides investment management for the Fund created by the donor’s gift.
6. The Fund is subject to the terms as outlined in the fund agreement signed by both the donor and The Community Foundation.

**Investment Advisors already participating in the Custom Investment Partnership Program are considered to have already completed The Community Foundation’s due diligence.*

INVESTMENT ADVISOR REQUIREMENTS AND RESPONSIBILITIES

Minimum Requirements

- Investment Advisors must have a pre-existing investment relationship with the donor.
- Donors can have no discretionary authority over the investment of the assets.
- The fund must be maintained in a separate account with a minimum establishing fund size of \$100,000.
- Initiating funds must represent a new donation to The Community Foundation.
- Investment Advisors must be willing and capable of investing The Community Foundation’s donated assets in a manner approved by The Community Foundation.

Registration and Professional Standards

- The Investment Advisor must be (1) registered under the Investment Company Act of 1940, or (2) a bank, or (3) an insurance company qualified to perform the services of managing The Community Foundation’s assets, or (4) a state registered investment advisor.
- The Investment Advisor must act in accordance with “prudent investor” principles, with respect to the management of the assets.

Avoidance of Conflicts of Interest and Excess Benefit Transactions

The Investment Advisor will avoid actions that may create a conflict of interest with The Community Foundation. In the event a potential conflict of interest arises, the Investment Advisor will promptly notify The Community Foundation.

The Investment Advisor may not be a disqualified person with respect to a fund.

A disqualified person with respect to a fund is someone who:

- Is a donor to the fund;
- Has been designated or appointed by a donor to the fund as having advisory privileges with respect to the fund;
- Is an entity (e.g., a corporation, partnership or trust) that is 35% (or more) controlled by a donor to the fund or of a person having advisory privileges with respect to the fund; or
- Is a family member* of a donor to the fund or of a person having advisory privileges with respect to the fund.

**For this purpose, a person's family is defined as the person's spouse, brothers and sisters (by the whole or half blood), spouses of brothers or sisters, ancestors, children, grandchildren, great-grandchildren, and spouses of children, grandchildren and great-grandchildren. These relationships include persons who are legally adopted.*

THE INVESTMENT ADVISOR

Ownership and Custody

- Acknowledges that The Community Foundation is the owner of the fund, and takes instructions, either written or verbal, only from authorized staff of The Community Foundation.
- Serves as custodian for the fund or establishes the fund with a qualified custodian in the name of "The Community Foundation for Greater New Haven," with a reference to the fund name.

Investment Policy

- Adheres to this MOU, and the asset allocation model contained herein, including managing within selected asset class ranges and making adjustments if the asset allocation moves outside the allowable range.

Proxy Voting

- Is responsible for the exercise of ownership rights through proxy solicitations for the benefit of The Community Foundation.
- Reports annually to the Investment Committee regarding standing policies with respect to proxy voting, including any changes that have occurred in those policies.
- Provides a written annual report of the proxy votes for monies held by The Community Foundation. These reports shall specifically note and explain any instances where proxies were not voted in accordance with any standing policy.

Compensation

- Is paid normal and customary fees for the investment management services (and custodial fees, if applicable) as agreed with The Community Foundation which will be deducted from the total return of the fund and reported to The Community Foundation in that manner.
- Directs commissions only by specific authorization of The Community Foundation, with the expectation that any associated benefit ("soft dollars") would accrue to The Community Foundation's fund.
- Is not paid a commission or fee for bringing a donor who creates a fund to The Community Foundation.

Reporting

- Provides The Community Foundation with information as follows:

Monthly

Within 20 days of the end of each calendar month, provides detailed monthly account statements electronically to The Community Foundation.

Quarterly

Within 20 days of the end of each calendar quarter, provides The Community Foundation with quarterly investment returns for all Community Foundation funds, the account's holdings, and transactions that occurred during the quarter. Fund performance must be calculated using a time weighted, linked return methodology, and net of the cost of the Investment Advisors fee. If the Investment Advisor is also serving as custodian, custodial fees must be clearly reported and differentiated from investment management fees.

Annually

Within 20 days of the calendar year-end, provides the following: (1) a consolidated statement which shows the activity for the year ending December 31st, and (2) a completed Request for Information (REI) form.

Upon Request

Calculation of all investment fees charged to the fund for the year ended December 31st, as well as any other request reasonably made by The Community Foundation throughout the year.

Material Changes in Structure and Violations Notification

- Immediately communicates pertinent changes to The Community Foundation in writing. Including, but not limited to:
 - Changes in senior investment personnel involved in The Community Foundation's relationship;
 - Material changes in investment style or disciplinary information as disclosed in the firm's ADV Part 2A;
 - Any violations of the guidelines and restrictions as set forth in this document.

THE COMMUNITY FOUNDATION RESPONSIBILITIES

The Community Foundation:

- Approves Investment Advisor.
- Approves investment strategy.
- Monitors individual funds for investment performance and costs.
- Completes due diligence and reviews the Investment Advisor's ADV Part 2 including 2B, the brochure supplement and the FINRA Broker check report.
- Ends Investment Advisor relationship as explained in "Termination."

FEES

The Community Foundation Administrative Fee

The Community Foundation charges a fee determined pursuant to The Community Foundation's administrative fee policy (as in effect from time to time) for costs incurred in the administration of the fund.

Investment Advisor Fee

The fees and expenses charged by the Investment Advisor will be deducted from the total return of the fund with approval of The Community Foundation. Custodial fees, if applicable, will be reported separately and distinctly from the investment management fees.

INVESTMENT GUIDELINES

Goals and Objectives

The investment goals and asset allocation will be determined by the Investment Advisor with approval from The Community Foundation. It will consider, among other things, the fund’s strategy to preserve purchasing power, the fund’s spending needs, liquidity and future cash flows, and the maximum portfolio support available to meet spending needs under various negative financial market scenarios.

Also considered will be the expected rates of return, volatility, and correlations among asset classes. The actual asset allocation will be reviewed no less frequently than on a quarterly basis and will be readjusted when an asset class weighting is outside its target range, at the Investment Advisor’s discretion or at The Community Foundation’s discretion.

Asset Allocation Operating Ranges

The following asset allocation model described below is suggested:

Asset Class	Suggested Operating Range	Benchmark(s)
US Domestic	15%–30%	S&P 500; Russell 2000
Global	0%–15%	MSCI All Country World Index
International	15%–30%	MSCI EAFE; MS Emerging Markets
Total Equities	35%–65%	
Marketable Hedged Equity	0%–15%	HFRI Equity Hedge
Marketable Alternatives	0%–10%	HFRI Fund of Funds
Total Alternatives	0%–25%	
Fixed Income	15%–40%	Barclays Capital Aggregate Index
Cash	0%–10%	

All Holdings

- All holdings should be readily marketable, with daily liquidity and be appropriately diversified.
- No more than 10% of a fund managed by an Investment Advisor may represent securities of a single issuer, unless authorized in writing by The Community Foundation's staff. This excludes mutual funds.
- The assets of a fund may not be invested in the following: hedge funds without daily liquidity, short positions (excluding mutual funds), private equity investments, futures and options contracts or private investments.
- The Community Foundation's staff is authorized to approve deviations from this Statement, unless the holdings are privately organized investments, in which case, Investment Committee approval is required.

Equity

- The purpose of the equity allocation, broadly defined to include domestic stocks and foreign stocks, is to provide real appreciation of principal over the long run. It is recognized that equities could entail the assumption of greater return variability and risk. However, the diversification benefits of combining various equity components should enhance the overall portfolio risk-return profile.
- Mutual funds and exchange traded funds (ETFs) with daily liquidity, invested in real estate, metals and other real assets, and commodities, may be purchased as a part of the allocation to equity within the fund.
- The equity portion of the investment fund must be diversified by sector.

Alternative Investments

- Marketable alternatives may only be employed in portfolios where the Investment Advisor has demonstrated experience investing in such assets and has the research capacity to perform proper due diligence on the investment strategy and operations of sub-advisors. The role of marketable alternative investments is to increase portfolio diversification through offering sources of return that are generally less correlated with traditional equity and fixed income markets. Also, marketable alternative investments are expected to provide relatively consistent returns and principal protection in significantly down equity markets, while reducing the overall volatility of the portfolio.
- Inflation hedging investments, that are alternative in nature, may only be employed in portfolios where the Investment Advisor has demonstrated experience investing in such assets and has the research capacity to perform proper due diligence on the investment strategy and operations of sub-advisors. The purpose of inflation hedging investments (private real estate, real estate investment trusts (REITs), TIPS, energy and other commodities) is to help protect the purchasing power of the portfolio against unexpected or severe inflation.

Fixed Income

- The purpose of the fixed income allocation is to provide a hedge against deflation, to provide current income, and to reduce overall volatility of the portfolio. The purpose of including opportunistic fixed income assets such as, but not limited to, global and high yield securities in the portfolio is to enhance the overall risk-return characteristics of the portfolio.
- Investment in individual bonds must have a minimum average quality rating of BBB when purchased.
- Purchases of below investment grade mutual funds or ETFs are limited to 25% of the fund balance.

Cash/Cash Equivalents

- Custodian-provided short-term investment funds are permissible investments for cash assets, provided they carry an S&P rating of at least A1 or an equivalent rating.
- A key objective for cash investments is to maintain price stability at all times, although this is not guaranteed.
- Cash on hand which is expected to be held for over one week should be swept or invested into a treasury money market account or treasury equivalent.

Borrowing

Portfolios may not borrow.

Derivatives

In all cases, the use of derivatives by Investment Advisor should be in a manner consistent with the portfolio's overall investment objectives and policies, and the manager's stated objectives and policies. In order to limit the exposure of the portfolio to the risks associated with the specialized investment strategies undertaken by such managers, no individual investment with any such manager shall exceed 5% of the specific portfolio, unless approved by the Investment Committee. The portfolio may not make direct investments in derivatives. Derivatives may not be used to leverage the portfolio.

Securities Lending

Lending of securities is not permitted.

New Contributions

New contributions to the fund should be invested as soon as practical, unless otherwise advised by The Community Foundation.

Grantmaking

Grantmaking dollars shall be transferred to The Community Foundation within a reasonable amount of time, not more than five days from request date, for the staff to prepare the donor's recommendation for distribution into the community.

TERMINATION

- With written notice to the Investment Advisor and Donor, The Community Foundation, may, at any time, revoke the privilege of the Investment Advisor due to any facts or circumstances that The Community Foundation, in good faith, believes warrant such termination. Such facts and circumstances will include, but not be limited to, a determination that the Investment Advisor has failed to operate in accordance with the provisions of this MOU or any other applicable policy; has failed to meet the benchmark requirements set forth herein, including any amendments that may be made from time to time; has failed to perform comparably to other managers; has charged fees that are not commensurate with services provided; has failed to adhere to The Community Foundation's investment instructions, advice or guidance; or has otherwise failed to perform as requested by The Community Foundation.
- The Community Foundation, with notice to the Investment Advisor and Donor, may transfer the fund assets to The Community Foundation's Commingled Pool or another investment advisor if: 1) the Investment Advisor dies, retires or leaves the profession of financial management, or 2) the Investment Advisor's firm ceases to exist, is purchased by or merges with another company, or 3) the Investment Advisor leaves the firm at which the Investment Advisor was associated at the time of the MOU.

STATEMENT OF UNDERSTANDING

The undersigned Investment Advisor to the _____
Fund at The Community Foundation *for* Greater New Haven Inc. acknowledges receipt and agreement with this Memorandum.

Investment Advisor

SIGNATURE

PRINT NAME

DATE

FIRM NAME

The Community Foundation *for* Greater New Haven Inc.

SIGNATURE

PRINT NAME

DATE



**The Community Foundation
for Greater New Haven**

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